

The Financial Times of Indiana

House Bill 1001ss News from the Office of Governor Frank O'Bannon

Monday, June 24, 2002

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The News in brief...

Budget-Tax Restructuring Bill Passes

Two-hundred forty-eight days ago, they began their mission to help homeowners, create jobs, and protect education from the state's recession-driven budget problems.

And yesterday, Governor O'Bannon and Lieutenant Governor Joe Kernan applauded the General Assembly for approving a plan to accomplish the goals first set out last October and November.

"This is a victory for the people of the State of Indiana," the Governor said. "It took a long time to get legislation through because the issues were as complex as any that have ever come before the General Assembly, and as politically perilous as any that could have come before it.

"It took a lot of courage for elected officials to vote for legislation like this, knowing that their votes can be easily misinterpreted and used against them. Everyone who voted to help lift Indiana out of the depths of the recession, to protect education from terrible cuts and to put Indiana in a position to attract and keep great jobs is a statesman in my book."

Lieutenant Governor Kernan, who, at the Governor's direction, headed up the team of experts who proposed the comprehensive tax restructuring plan on which all subsequent reform plans were based, said he was pleased with the outcome, and eager to see how quickly the tax changes will help jump-start the state's economy.

"The national recession has been especially difficult on our state," Lieutenant Governor Kernan said. "This bill gives us a chance to come back from those hard times - and to come back swinging."

The Governor and Lt. Governor especially noted the bipartisan support of the legislation. House Bill 1001ss will be eligible for the Governor's signature this week. While it does not contain as much new revenue as is needed to wholly replace revenue lost to the recession, it will allow O'Bannon to protect education until the next budget session in 2003. "We will be able to weather the recession's storm," O'Bannon said. "It's a great day in Indiana."

What People Are Saying

"All in all, it was a good bill, passed in the nick of time. Lawmakers deserve credit for finally doing what had to be done, despite their partisan agendas and fear of political consequences."

6-24-02, Indianapolis Star

"What didn't seem possible early Friday - a bipartisan vote in favor of a tax-and-budget plan - was rung up in both the Indiana House and Senate by the end of Saturday...Yes, many taxes are going up, but for prudent reasons. The state is mired in a budgetary shortfall that could not be cured only by deep spending cuts, including such vital services as education. Its business climate also needs rejuvenation, and some possible fiscal aids for that essential goal were included in the package approved by legislators."

Muncie Star-Press, 6-24-02

PROFILES in COURAGE

Some say the only sure things in life are death and taxes.

There's a reason that rewriting tax laws isn't part of that old adage - it's a very difficult thing to do. In modern times, only four governors have been able to get that job done: Frank O'Bannon, Otis Bowen, Matthew Welsh, and Paul McNutt.

Each of them waged hard-fought battles to reduce the state's reliance on property tax and to keep the state on strong financial footing during difficult times. And each used other taxes to replace the revenue lost when property taxes were cut to help Hoosier families.

Otis Bowen (1973-80) In his bid for office, Bowen pledged to reduce property taxes, but delivering on that promise required legislative approval, and it took an entire legislative session to achieve what Governor Bowen called, "visible, lasting and substantial" tax relief. The plan, which cut property taxes but increased the sales tax from 2 percent to 4 percent, came down to a tie vote in the Senate. The Lieutenant Governor at the time was Robert Orr, who voted aye. Bowen praised Orr for risking his political future with that vote. Bowen won re-election, and Orr later won his bid to become governor.

Matthew Welsh (1961-65) In 1963, the state was facing the same challenges it faces today: reassessment and rising property taxes, and a budget shortfall. After the regular legislative session ended without a resolution to the tax and budget issues, Governor Welsh was asked when the special session would start. "At 12:01 p.m. tomorrow!" he said. "Get a good night's sleep!" After a month, the House of Representatives agreed to a 2% sales tax, 2% individual income tax, and 2% corporate profits tax. But the Senate tied on the issue the next day. Lieutenant Governor Richard Ristine, (who wanted to become governor) had to decide how to break the tie. Knowing he was risking his chance to be Governor, he voted yes, saying "To get this session over with and to get the state moving forward again, the chair votes aye." Ristine lost in the race for governor the following year.

Paul McNutt (1933-37) Governor McNutt saw government as "a great instrument of progress," and as such he reorganized Indiana's executive branch structure. The Depression-era governor also reached out to help the less fortunate, providing state public relief and welfare for the first time in Indiana. To fund programs for the poor, he worked with the General Assembly to pass an income tax act.



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Highlights of House Bill 1001ss

CUTTING TAXES FOR HOOSIERS

- Cuts property taxes for Hoosier homeowners on average by nearly 13 percent
- Cuts property taxes for Hoosier renters by increasing that deduction from its current level of \$2,000 to \$2,500
- Cuts property taxes for those living in mobile homes by providing a 20 percent tax credit on individual personal property
- Cuts property taxes for Hoosier farmers on average by more than 13 percent
- Cuts business property taxes on average by 23.4 percent
- Cuts taxes for the poor by linking the earned income tax credit to 6 percent of the federal credit
- Cuts business taxes by eliminating the inventory tax in five years and providing an exemption for "production in progress"
- Cuts business taxes by providing a tax credit to companies that provide venture capital to startup firms
- Cuts business taxes by eliminating the corporate gross income tax and eliminating the supplemental net income tax
- Encourages high-tech job growth by doubling the research tax credit from 5 percent to 10 percent
- Encourages high-tech job growth by appropriating \$30 million for the 21st Century Research and Technology Fund for FY 2003 and FY 2004
- Provides more revenue to all Indiana counties by dividing revenue from riverboat taxes among all 92 counties.
- (To allow property tax cuts, sales tax will increase from 5 percent to 6 percent beginning December 1, 2002, and business taxes are restructured)

BRINGING BUDGET RELIEF

- Budget cuts of \$949 million
- Increases cigarette tax by 40-cents per pack, for a total cost of 55-cents per pack
- Increases riverboat gaming taxes
- Requires Lottery and riverboat winners to pay taxes on winnings over \$1,200

BUILDING BETTER INDIANA ROADS

- Increases gasoline tax by 3 cents a gallon, for a total cost of 18-cents per gallon